

February 8, 2022

To  
**Listing Compliance Department**  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai – 400 001

**Subject: Investor Presentation**

Dear Sir/ Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the copy of presentation made to analysts and investors in connection with Un-Audited Standalone & Consolidated Financial Results for quarter ended 31<sup>st</sup> December, 2021

You are requested to take the information on record and oblige.

Thanking You

For **Natural Capsules Limited**



**Shilpa Burman**  
Company Secretary & Compliance Officer





# Investor Presentation

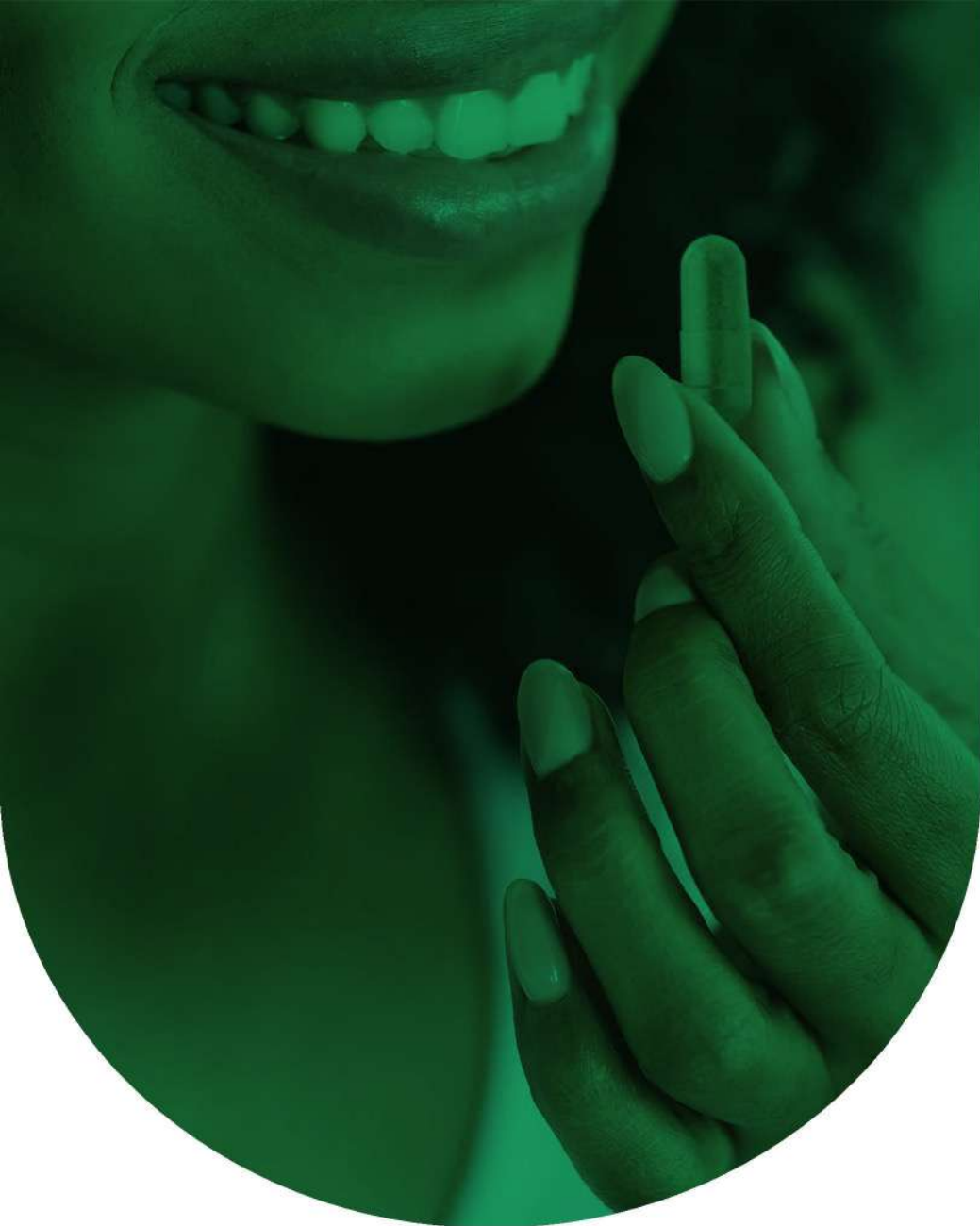
BSE: 524654

FEBRUARY, 2022

## Safe Harbor

Certain statements and opinions with respect to the anticipated future performance of Natural Capsules Limited (NCL) in the presentation (“forward - looking statements”), which reflect various assumptions concerning the strategies, objectives and anticipated results may or may not prove to be correct. Such forward -looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward - looking statements. These include, among other factors, changes in economic, political, regulatory, business or other market conditions. Such forward - looking statements only speak as at the date the presentation is provided to the recipient and NCL is not under any obligation to update or revise such forward - looking statements to reflect new events or circumstances. No representation or warranty (whether express or implied) is given in respect of any information in this presentation or that this presentation is suitable for the recipient’s purposes. The delivery of this presentation does not imply that the information herein is correct as at any time subsequent to the date hereof and Laxmi has no obligation whatsoever to update any of the information or the conclusions contained herein or to correct any inaccuracies which may become apparent subsequent to the date hereof.





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01

# Company Overview



# Introducing Natural Capsules Limited (NCL)

Natural Capsules Limited (NCL) is a hard capsule shell manufacturer, who pioneered manufacturing of vegetarian capsules in India and is the second largest Indian manufacturer for gelatin capsules. The company was incorporated as a Public Limited Company in 1993 at Bangalore, and it further expanded its operations to Pondicherry in 2003. The company is now foraying into API manufacturing with complex high-end patented technology developed in-house, under its wholly owned subsidiary company Natural Biogenex Private Limited.

NCL prides itself on its abilities to provide turnkey solutions to all its customers.



## VISION

To become the global leader for supply of capsules, providing impeccable services all across the globe.



## MISSION

- To consistently innovate and manufacture products key to market's and customer's expectation
- To consistently provide highest quality products to its customers across the globe
- To become an integrated enterprise of global distinction

**1994**

Listed on BSE

**150**

Customers across  
4 continents

**250+**

Team Members

**02**

Manufacturing Units

**13.3 BCPA\***

Capacity in Q2FY22

**29%**

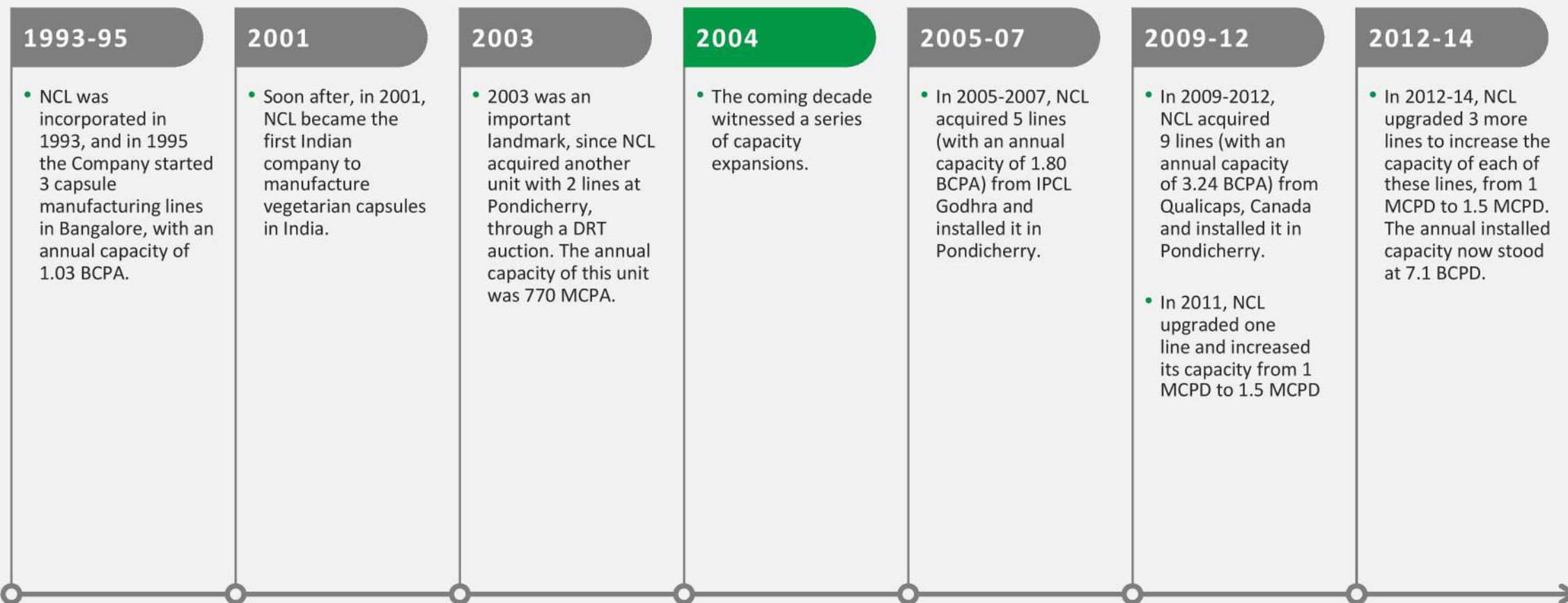
Exports Revenue

\* BCPA – Billion Capsules per Annum



# Our Journey

## 1993- 2014: EARLY SUCCESSES AND A PERIOD OF EXPANSION



\* BCPA – Billion Capsules per Annum | MCPD – Million Capsules per Day

# Our Journey (contd.)

## 2015 – 2018: THE HURDLES WE FACED ON THE WAY

### 2015 – 18

- Fall in oil and commodity prices led to economic slowdown in African countries and caused a decline in export of pharmaceutical products and capsules from India. This led to a drop in demand for our products, which were selling well in Africa earlier. The selling prices gradually decreased as well, leading to drop in margins over a period of 3 years (FY16-FY18). NCL's strategy of focusing on exports proved to be counterproductive, during this period.
- NCL was quick to refocus on domestic markets, but soon demonetization and the implementation of GST in India caused disruption in the domestic pharmaceuticals industry, which led to bouts of severe drop in demand.

## 2019 ONWARD: THE BEGINNING OF A NEW AND IMPROVED NCL

### 2019 ONWARD

- 2019 onward NCL witnessed an increase in demand in both domestic and export markets, which led to improvement in margins.
- NCL also upgraded one of its capsule manufacturing lines to produce 2.5 MCPD (from its earlier capacity of 1.0 MCPD).
- The company's continued focus on R&D, in collaboration with other partners, led it to invent a new generation of capsule manufacturing technology as well.
- NCL replaced one of its old machines at Bangalore and installed its first new generation machine producing 4.8-5.0 MCPD (instead of the earlier capacity of 1 MCPD). The new generation machines are the fastest machines to manufacture capsules globally.

## GOING FORWARD

By **Q2FY22**, four new generation machines were commissioned, which replaced the older machines, and the current installed capacity stands at **13.3 BCPA**

Six new generation machines to be commissioned by **Q2FY23** which will enhance installed capacity to **24.1 BCPA**

Further attempt to make next generation machines to produce **7.5 MCPD**



# Product Offerings

Natural Capsules Limited manufactures a vast array capsules, including vegetarian capsules which they have pioneered in India.

The company is now foraying into API manufacturing with complex high-end patented technology developed in-house, under its wholly owned subsidiary company Natural Biogenex Private Limited.



## CAPSULES

- Hard Gelatin Capsules shells
- Hard Cellulose Capsules shells
- Others
  - Special Characteristic Variants
  - Shiny Capsules
  - Sweet Capsules
  - Fast Release Capsules
  - Regulatory Variants
  - SLS free Capsules
  - Preservative free Capsules
  - TSE free Capsules



## APIs

Three key steroidal API products (as approved under PLI scheme)

- Prednisolone & Derivative salts
- Betamethasone & Derivative Salts
- Dexamethasone & Derivative Salts

# Global Presence

Natural Capsules exports to **37** countries across **4** continents, bringing in sizable revenue from its export.

## % OF TOTAL SALES



### AFRICA

- Algeria
- Mozambique
- Ivory Coast
- Ghana
- Kenya
- Nigeria
- South Africa
- Sudan
- Tanzania
- Tunisia
- Zimbabwe

### CENTRAL ASIA

- Georgia
- Uzbekistan
- Ukraine

### SOUTH AMERICA

- Brazil
- Colombia
- Ecuador
- Peru
- Venezuela

### EUROPE

- Czech Republic
- Serbia
- Spain
- Turkey

### MIDDLE EAST ASIA

- Iraq
- Kuwait
- Syria
- Iran
- United Arab Emirates

### CENTRAL AMERICA

- Costa Rica
- El Salvador
- Guatemala

### SOUTH AND SOUTHEAST ASIA

- Bangladesh
- Sri Lanka
- Malaysia
- Thailand
- Myanmar
- Philippines



# Serving Leading Brands

With over 3 decades of experience in the pharma sector, NCL has garnered excellent relationship with customers across 37 countries. The company is now focused on acquiring customers who deal with regulated markets.

## MARQUEE CUSTOMERS

CUSTOMERS FOR MORE THAN  
10 YEARS

**17.88%**

of total customers

CUSTOMERS FOR MORE THAN  
5 YEARS

**29.32%**

of total customers

REPEAT CUSTOMERS DURING  
FY 21

**64.41%**

NEW CUSTOMERS ACQUIRED IN  
FY 21

**35.59%**



# Leadership Team



**Mr. Laxminarayan Mundra**  
WHOLE TIME DIRECTOR



**Mr. Satyanarayana Mundra**  
WHOLE TIME DIRECTOR



**Mr. Sushil Kumar Mundra**  
DIRECTOR



**Mr. Sunil Mundra**  
MANAGING DIRECTOR



**Mr. Pramod Kasat**  
INDEPENDENT DIRECTOR



**Mr. C P Rangachar**  
CHAIRMAN & INDEPENDENT  
DIRECTOR



**Mr. Anjan Kumar Roy**  
INDEPENDENT DIRECTOR



**Mrs. Jyothi Mundra**  
DIRECTOR

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# Business Canvas

# Capsules Segment

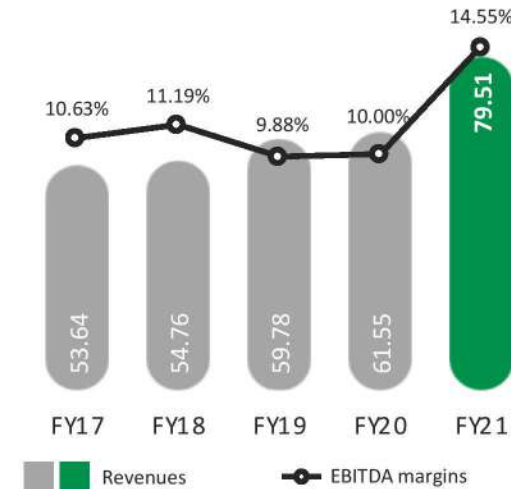


- Higher sales in unregulated markets led to volatility in margins
- Old technology machines resulted in lower operating efficiencies

With almost three decades of experience in the industry, Natural Capsules Limited is a leading manufacturer of hard capsules in India, its products are exported to regulated and unregulated markets across the globe, following stringent applicable rules and regulations.

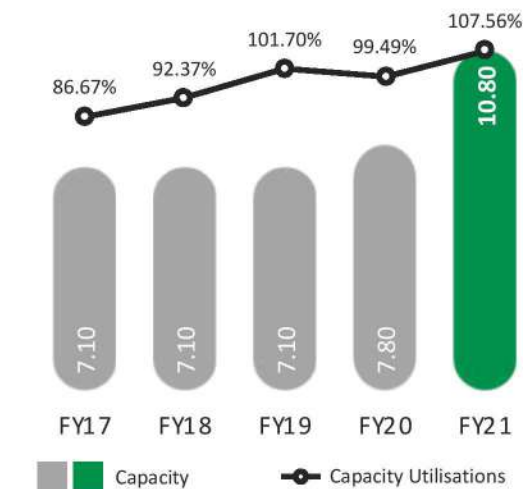
## REVENUES & EBITDA MARGINS

(IN ₹ CRORE & %)



## CAPACITY & CAPACITY UTILISATIONS

(IN BCPA & %)



## MANUFACTURING FACILITIES APPROVED BY



**2<sup>nd</sup> largest**

Indian manufacturer of gelatin capsule

**2 manufacturing**

Facilities at Bengaluru and Pondicherry

**13.30 BCPA**

Capsules per annum manufacturing capacity

**1<sup>st</sup> manufacturer**

Of vegetarian capsules in India



# Enhancing Capacities

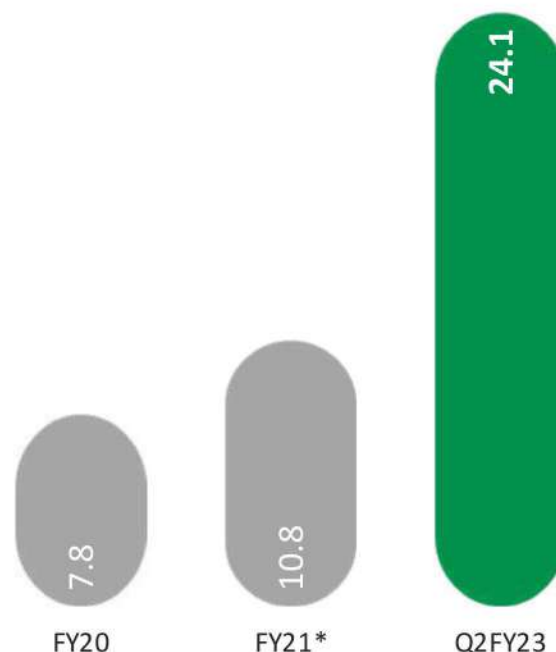


- New machines developed in **technical collaboration DBDS Robotics Private Limited**
- The new machines installed will be the **fastest available machine** to manufacture hard capsules

Natural Capsules Limited has undergone recent CAPEX, to support its existing manufacturing capacity and to enable the company to capture market share in regulated markets.

## CAPSULES MANUFACTURING CAPACITY

(IN BILLIONS)



\*Capacity was enhanced from 7.8 BCPA to 10.8 BCPA in December 2020

The ability to deliver faster will help Company to **attract large volume customers** and yield better margins by optimizing manufacturing cost per unit

**₹ 38 Crores** planned capital expenditure for enhancing capacity to 24.1 Bn capsules per annum

**Brownfield capex** by adding 6 new machines at Bengaluru facility

**Project funded through a mix of debt and equity**

- ₹ 18 Crores bank borrowings @6.4% per annum &
- ₹ 20 Crores from internal accruals

**~3x asset turns** from incremental capacities at optimum capacity utilisation

**Q2FY23 expected commercialisation** of incremental capacities

Incremental capacities will be targeted towards **large volume pharmaceutical customers and new export markets**

# API Segment



Natural Capsules Limited is now foraying into the API business segment through its wholly owned subsidiary - Natural Biogenex Private Limited (NBPL) incorporated in 2020. The APIs that will be manufactured are, Prednisolone, Betamethasone and Dexamethasone and their derivatives.

## KEY DEVELOPMENTS

AUG 2018	JUL 2019	OCT 2019	AUG 2020	FEB 2021
				Awarded Three PLI applications for Dexamethasone, Betamethasone and Prednisolone.
			• Achieved process improvements over existing knowhow in respect of effluent and de-foaming agents. • Obtained Test Drug Licenses for Steroidal APIs.	
	• Achieved lab scale production of hydro cortisone from 9OHAD.	• Filed patent for innovative process for manufacture of 9OHAD		
	• Started second fermentation for manufacture of Prednisolone.			
Started R&D center to validate fermentation and synthesis technology to manufacture steroidal APIs using unique microbe.				

**Greenfield Capex** at Tumkur, spread across 5 acres

**1<sup>st</sup> integrated facility** in India for manufacturing of Steroidal API's using fermentation and synthesis chain of reactions

**Facilities are being set up in compliance with WHO GMP(Geneva), USFDA and EU GMP certification guidelines**

**Zero Liquid Discharge** manufacturing facility

**3 approvals for steroidal API's under the PLI scheme of Government of India for bulk drugs**

# API Segment (contd.)

**INR 96 Crores** - planned capital expenditure for setting up the facility

~ **3x asset turns** from incremental capacities at optimum capacity utilisation

**Project funded through a mix of debt and equity**

- INR 48 Crores bank borrowings @6.4% pa
- INR 20 Crores from internal accruals
- INR 28 Crores from right issue

**Commercial production to begin by Q3FY23**

## THE FOLLOWING PRODUCTS AND CAPACITIES HAVE BEEN APPROVED UNDER THE PLI SCHEME

### DEXAMETHASONE

**10 MT**

Planned Capacity

**19 MT**

Imports to India in FY21

- NCL will be the **only manufacturer** of this product in India

### BETAMETHASONE

**12 MT**

Planned Capacity

**25 MT**

Imports to India in FY21

- NCL will be the **only manufacturer** of this product in India

### PREDNISOLONE

**15 MT**

Planned Capacity

**30 MT**

Imports to India in FY21

- NCL will be **one of the two manufacturers** of this product in India

Efforts will be focused on catering to the domestic demand by substituting the imported inputs.



# Production Linked Incentive (PLI) Scheme

With a view to attain self-reliance and reduce import dependence in critical APIs, a scheme called “Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates (DIs) and active Pharmaceutical Ingredients (APIs) In India” has been approved by the Government of India on 20<sup>th</sup> March, 2020.



- The scheme intends to boost domestic manufacturing of identified KSMs, Drug Intermediates and APIs by attracting large investments in the sector and thereby reduce India's import dependence in critical APIs.



- A committee on drug security constituted by the Department of Pharmaceuticals collated the details of APIs imported in the country and identified 53 APIs for which the country is heavily dependent on imports.



- The scheme categorises four target segments covering 41 products.
- The 3 products to be manufactured by NCL fall under the 2<sup>nd</sup> category of Fermentation based niche KSMs/ Drug Intermediates / APIs



Financial incentive under the scheme shall be provided on sales of identified products for six (06) years:

- For fermentation-based products, incentive for FY 2023-24 to FY 2026-27 would be 20%, incentive for 2027-28 would be 15% and incentive for 2028-29 would be 5%.



The Company expects to receive an incentive amounting to

**~₹67 Crores over**

the course of 6 years, which effectively de-risks the Company's investments significantly

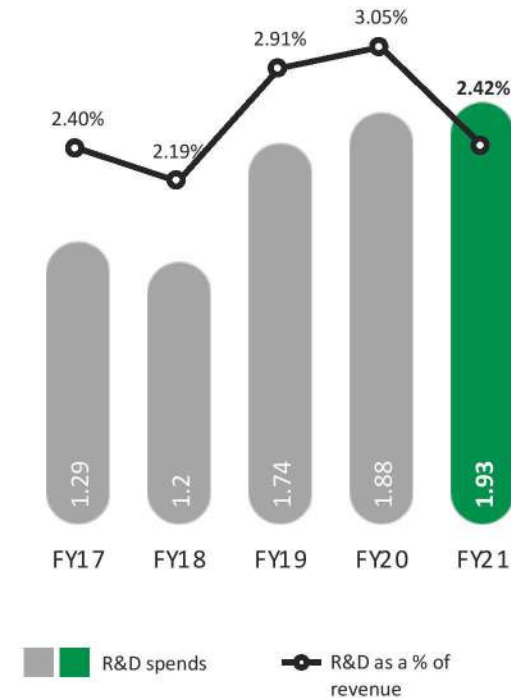
# Focus on R&D



NCL strongly believes in investing in R&D, to stay ahead of its peers and to consistently innovate. The Company's recent entry into the API business is a testament to its firm belief in R&D.

## R&D SPENDS & R&D AS A % OF REVENUE

(IN ₹ CRORE & %)



## KEY AREAS OF RESEARCH

-  New product development for steroidal and hormonal range of API's
-  Process improvements for enhancing yields
-  Development of new process for manufacturing existing products

## 2 DSIR

Recognised state of the art R&D facilities

## 15

Team members focusing on product innovations and product yield efficiencies

## 1 patent

Granted, 1 patent under approval, 2 patents under filing - as a result of strong innovation in technology and manufacturing processes

## Team

Is qualified and experienced in scaling up steroidal APIs to commercial scale

## ESOPs

have been issued to senior members of R&D team to align the long-term interests



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# Sustainability





# Sustainability Initiatives



NCL believes in contributing towards environment and social improvement.

In its three decades of existence, the Company has engaged in multiple efforts to become more green and sustainable. NCL has also contributed significantly to the development of the people from around the Company's manufacturing sites.



## SUSTAINABLE SITES

- Zero discharge facilities
- Solar power generation
- Solar concentrated heat generation funded by IREDA and 1st company to receive UNIDO grant for patented solar concentrated heat generation dishes in India



## SUSTAINABLE PRODUCT PORTFOLIO

- Recycling of own waste for manufacturing gelatine capsules
- Recycling of water from effluent treatment plant



## SUSTAINABLE COMMUNITIES

- COVID-19 relief work at Pitchaiveerampet, Pondicherry (food and medicine distribution) and Attibele, Bangalore (medicine distribution)
- Undertook infrastructure work in nearby communities, such as building a community temple

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# Financial Performance

# Profit & Loss Statement Summary

PARTICULARS (₹ IN CRORES)	FY17	FY18	FY19	FY20	FY21
Revenue from Operations	53.64	54.76	59.78	61.55	79.51
Other Income	0.81	0.81	1.13	0.95	0.73
Total Income	54.45	55.57	60.91	62.50	80.24
Total Operating Expenses	48.66	49.35	54.89	56.25	68.56
EBITDA	5.79	6.22	6.02	6.25	11.68
EBITDA Margins	10.63%	11.19%	9.88%	10.00%	14.55%
Interest Cost	0.58	0.21	0.37	0.77	0.37
Depreciation	4.31	4.33	3.19	4.12	4.30
Profit Before Tax (excl. Exceptional Items)	0.90	1.68	2.46	1.37	7.01
Profit After Tax	0.63	1.11	1.92	0.86	6.88
EPS	1.04	1.78	3.08	1.41	11.04



# Balance Sheet Summary

PARTICULARS (₹ IN CRORES)	FY17	FY18	FY19	FY20	FY21
Total Equity (Networth)	53.96	54.32	55.49	55.62	62.12
Non Current Liabilities	2.27	2.17	1.23	1.08	1.08
Current Liabilities	15.10	14.56	17.61	17.98	33.45
<b>Total Equity and Liability</b>	<b>71.33</b>	<b>71.05</b>	<b>74.33</b>	<b>74.68</b>	<b>96.65</b>
Non Current Assets	33.06	29.42	34.79	36.98	57.13
Current Assets	38.27	41.63	39.54	37.70	39.52
<b>Total Assets</b>	<b>71.33</b>	<b>71.05</b>	<b>74.33</b>	<b>74.68</b>	<b>96.65</b>

# Cash Flow Statement Summary

PARTICULARS (₹ IN CRORES)	FY17	FY18	FY19	FY20	FY21
Cash Flow from Operating Activities	1.91	5.34	2.09	6.90	5.54
Cash Flow from Investing Activities	(0.19)	(0.93)	(7.06)	(5.74)	(8.53)
Cash Flow from Financing Activities	(1.67)	(3.92)	4.28	(1.18)	2.75
Net increase/ (decrease) in cash and cash equivalents	0.04	0.48	(0.68)	(0.02)	(0.23)
Cash and cash equivalents at beginning of the year	0.24	0.24	0.74	0.05	0.33
Cash and cash equivalents at the end of the year	0.24	0.73	0.05	0.33	0.09

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# Investment Merits





# Growth Drivers



Capacity enhancement with **state-of-the-art machinery** in capsules division, enabling operational efficiencies and driving profitability



Being the **only backward integrated manufacturer of steroidal APIs in India**, the Company plans to gain significant market share domestically



**Exploring opportunities** to set up capsules manufacturing facilities in foreign/domestic markets to ensure quick supply to customers



The Company will benefit from strong industry tailwinds on the back of the China Plus One strategy. This will further be amplified by robust government incentives (PLI scheme)



Focusing efforts on regulated markets and marquee pharma clients for capsules business, to stabilise its topline and enhance its margins



Strong focus on R&D will lead to the development of new products and processes, It will also enable operational efficiencies by increasing the yields of existing products



Regulatory approvals for the upcoming API facility will enable long term customer association leading to improved margins



# Strategic Priorities

NCL is geared to bring about monumental changes in its approach towards its business. With the ongoing CAPEX, the Company is enabling itself to become the market leader in capsules business and positioning itself as a dominant player in the domestic steroidal API market.



## STRATEGIC PRIORITY

- Positioning the business to reduce margin volatility
- Continue to grow sales of Capsules in regulated markets and expand global presence
- Introduce new variants of capsule products
- Develop new value-added molecules in steroidal and hormonal range of APIs
- Investing in technology and manufacturing processes to attain manufacturing efficiencies and competitive advantage
- API facility approved by regulatory bodies



## ACTIONS TAKEN

- Collaborating with buyers who procure large quantities of capsules on a sustained basis
- Tying up with customers who sell finished formulations in regulated markets
- Sales and marketing team reaching out to new customers in new geographies
- Working on new varieties of capsules such as pullulan capsules
- Strong focus on R&D will enable new products to be developed developed every 18 months
- Investing in R&D to further improve the output of capsule manufacturing machines
- Facility is being set up and quality management systems are being deployed to ensure compliance to the stringent requirements of the regulatory bodies



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# Quarterly Highlights



# Quarterly Updates

## REVENUES

⬆ 24.54%

⬆ 72.92%

## EBITDA

⬆ 44.17%

⬆ 128.27%

## EBITDA MARGINS

⬆ 277 BPS

⬆ 494 BPS

## PAT

⬆ 57.09%

⬆ 153.09%

## EPS

⬆ 55.50%

⬆ 150.97%

## KEY

⬆ Q-o-Q Growth

⬆ Y-o-Y Growth



# Management Commentary



We observed a market-wide increase in demand, resulting in longer lead times.

**Mr. Sunil Mundra**

MANAGING DIRECTOR  
NATURAL CAPSULES LIMITED



*"I'm pleased to report that Natural Capsules Limited had a particularly strong quarter in Q3FY22. On a quarterly basis, our net revenues increased by 24.54 %. The increase in the top line is due to a 9% increase in average realisation on a quarter-over-quarter basis. Increased volumes from a new line installed towards the end of Q2FY22 fueled the incremental growth. Additionally, our EBITDA increased 44.17% sequentially, owing to higher realisations, lower input cost inflation, and some operational efficiencies.*

*As we continued to add marquee clients during this quarter, we observed a market-wide increase in demand, resulting in longer lead times. This should result in future sustained price realisation, which is expected to continue for the next few quarters. Given this, we are pleased to report that we currently have a planned order book for the next 3.5 months.*

*Additionally, we increased our R&D efforts during this quarter, conducting successful trials at the kilo scale for one of our products and successful trials at the gram scale for three of our products. We are confident that, as a result of our upcoming phased, we will continue to grow and be able to deliver strong performance in the times to come."*

# CAPEX Tracker

Natural Capsules is geared to make significant capital expenditures in the quarters to come and is on track with its capsule business. The Company will focus on ramping up its endeavours in its API business in the coming quarters.

	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
CAPSULES	Upgraded 1 line in the Pondicherry plant that enhanced the line's capacity from 1MCPD to 2.5MCPD	Currently adding 1 line in Bengaluru plant	3 more lines to be added in the Bengaluru plant	2 more lines to be added in the Bengaluru plant	
API					<ul style="list-style-type: none"> <li>Expected commercialization by Q3FY23</li> <li>Heavy rains in Tumkur in the months of October and November, led to challenges and delays in construction and civil works. Currently, behind schedule by around 45 days</li> </ul>



# Profit & Loss Statement Summary (Consolidated)

PARTICULARS (₹ IN CRORES)	Q3FY21	Q2FY22	Q3FY22	9M FY21	9M FY22
Revenue from Operations	21.75	30.20	37.61	56.4	93.52
Other Income	0.02	0.10	0.06	0.53	0.2
<b>Total Income</b>	<b>21.76</b>	<b>30.30</b>	<b>37.67</b>	<b>56.93</b>	<b>93.72</b>
Total Operating Expenses	18.39	24.88	29.94	48.99	76.28
<b>EBITDA</b>	<b>3.36</b>	<b>5.32</b>	<b>7.67</b>	<b>7.41</b>	<b>17.24</b>
EBITDA Margins	<b>15.45%</b>	<b>17.62%</b>	<b>20.39%</b>	<b>13.14%</b>	<b>18.43%</b>
Interest Cost	0.03	0.46	0.57	0.21	1.29
Depreciation	1.09	1.23	1.25	3.18	3.64
<b>Profit Before Tax (excl. Exceptional Items)</b>	<b>2.26</b>	<b>3.73</b>	<b>5.91</b>	<b>4.55</b>	<b>12.51</b>
Profit After Tax	<b>1.62</b>	<b>2.61</b>	<b>4.1</b>	<b>5.28</b>	<b>8.8</b>
<b>EPS</b>	<b>2.59</b>	<b>4.18</b>	<b>6.50</b>	<b>8.47</b>	<b>13.95</b>

## REVENUE

Higher realisations and incremental volumes as a result of additional capacity commercializations towards end of Q2FY22 contributed to the increase in revenue.

## EBITDA

The strong growth in EBITDA was on account of higher realisations and low increment in input costs.

## PAT

A strong increase in topline and better operating efficiencies led to a proportionate increase in the profitability of the Company.

# Thank You

## CONTACT US

### **Natural Capsules Limited**

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Bangalore - 560 011, INDIA

## FOR FURTHER INFORMATION, PLEASE CONTACT

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